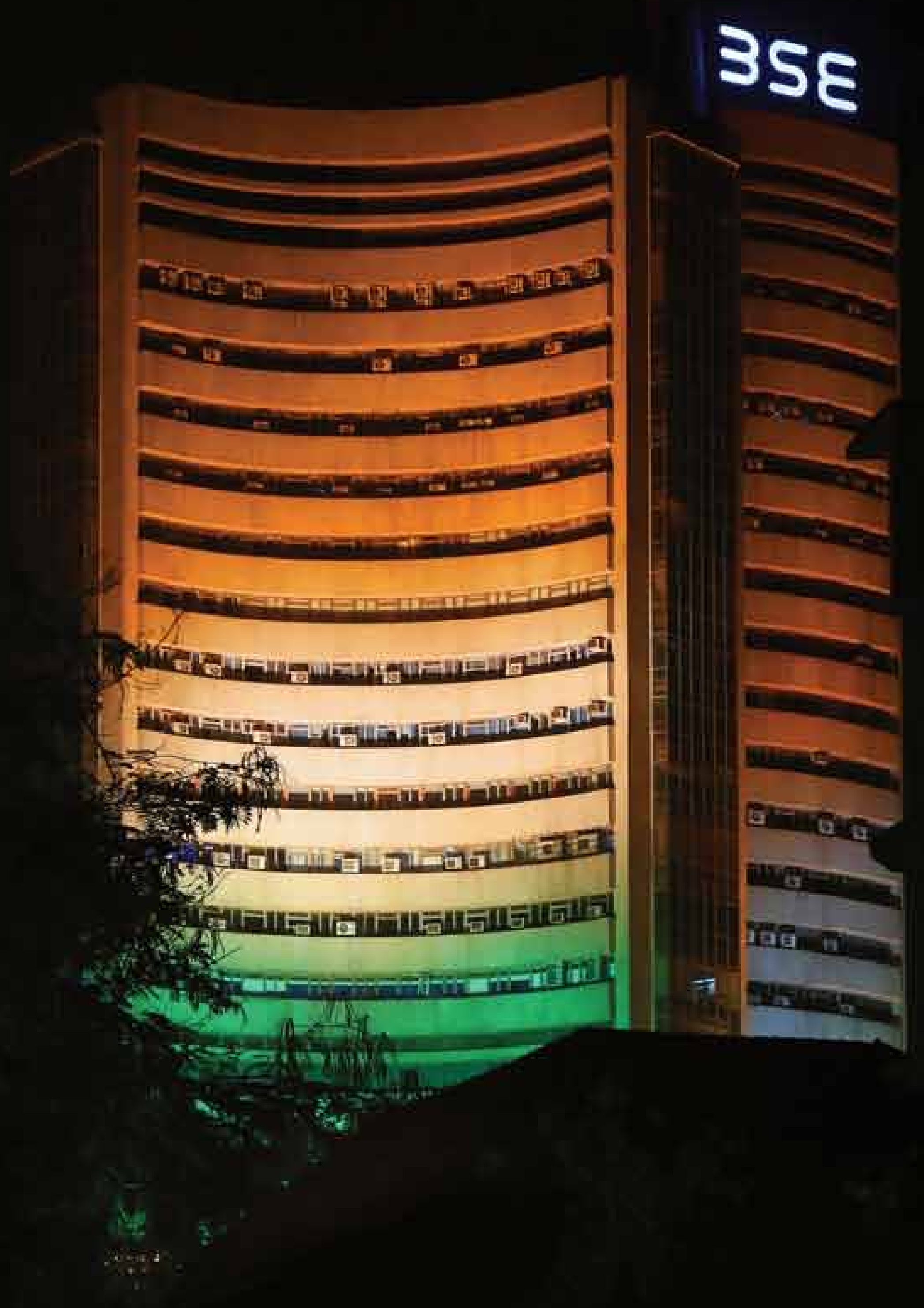
Annual Report
2014 - 2015

Strength does not come from physical capacity.
It comes from an indomitable will.
- Mahatma Gandhi



TRADE AT SPEEDS OF 200 MICROSECONDS ONLY ON BSE, INDIA'S FASTEST EXCHANGE.

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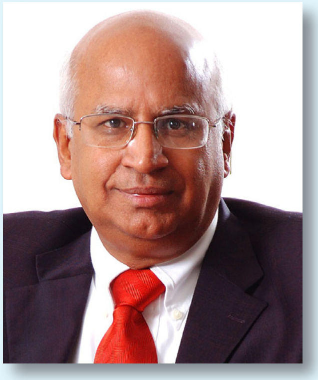
BOARD OF DIRECTORS



Mr. S. Ramadorai
Chairman

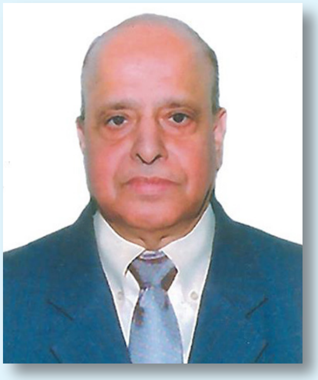
Mr. Ashishkumar Chauhan
Managing Director & CEO

Mr. Sudhakar Rao

Dr. Sanjiv Misra

Mr. S.H. Kapadia

Mr. Dhirendra Swarup



Dr. K. Kasturirangan

Mr. Thomas Bendixen

BOARD OF DIRECTORS
Chairman (Public Interested Director)
Mr. S. Ramadorai
Managing Director & CEO
Mr. Ashishkumar Chauhan
Public Interested Directors
Dr. Sanjiv Misra
Mr. Sudhakar Rao
Mr. S. H. Kapadia
Mr. Dhirendra Swarup *(Appointed as Public Interest Director w.e.f. 3rd Nov, 2014)*
Dr. K. Kasturirangan *(Appointed as Public Interest Director w.e.f. 23rd Jan, 2015)*
Shareholder Director
Mr. Thomas Bendixen *(Appointed as Shareholder Director w.e.f. 25th Sep, 2014)*
Company Secretary
Ms. Neena Jindal

EXECUTIVE MANAGEMENT COMMITTEE	
Mr. Ashishkumar Chauhan	MD & CEO
Mr. V. Balasubramaniam	Chief Business Officer
Mr. Nehal Vora	Chief Regulatory Officer
Mr. Nayan Mehta	Chief Financial Officer
Mr. Kersi Tavadia	Chief Information Officer
Mr. Neeraj Kulshrestha *(Appointed w.e.f. 5th May, 2015)*	Chief of Business Operations

STATUTORY AUDITORS
Deloitte Haskins & Sells LLP Chartered Accountants

REGISTRAR & TRANSFER AGENT
Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 032 E-Mail: einward.ris@karvy.com Tel. No.: 91-040-6716 1500

REGISTERED OFFICE
Floor, 25, P. J. Towers, Dalal Street, Mumbai 400 001

TENTH ANNUAL GENERAL MEETING		
Day	:	Friday
Date	:	25th September, 2015
Time	:	11.00 a.m.
Venue	:	Sir Dinshaw Petit International Convention Hall, 1st Floor, P. J. Towers, Dalal Street, Mumbai - 400 001

Directors' Report

The Directors take great pleasure in presenting the Tenth Annual Report of BSE Limited along with the audited financial statements for the year ended 31st March, 2015.

1. The Economic Environment

1.1 Global Outlook

The world economy is still struggling to gain momentum as many high-income countries continue to grapple with the legacies of the global financial crisis. The recovery in high-income economies has been uneven, as some (the United States and the United Kingdom) have exceeded pre-crisis output peaks, but others (the Euro Area) are still below earlier peaks. Middle-income economies have also been less dynamic than in the past for cyclical reasons, but also due to a structural slowdown. Low-income countries continue to grow at a robust pace, despite a challenging global environment. The key features of the lackluster global recovery have been accommodative monetary policies, falling commodity prices, and weak trade. These are expected to persist, although financial conditions are projected to tighten gradually. Risks to this fragile recovery are significant and tilted to the downside. The key policy challenge for developing countries is to adjust monetary and fiscal policies to changing cyclical conditions while addressing headwinds to long-term growth by implementing structural reforms.

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outturns over the past several years. Growth picked up only marginally in 2014, to 2.6 %, from 2.5 % in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies. While activity in the United States and the United Kingdom has gathered momentum as labor markets heal and monetary policy remains extremely accommodative, the recovery has been sputtering in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints.

Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity and help offset some of the headwinds to growth in oil-importing developing economies. However, it will dampen growth prospects for oil-exporting countries, with significant regional repercussions. As per Global Economic Prospects Report (January 2015) by the World Bank, global growth is expected to rise moderately, to 3 % in 2015, and average about 3.3 % through 2017. High-income countries are likely to see growth of 2.2 % in 2015-17, up from 1.8 % in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and still low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease and the recovery in high-income countries slowly strengthens, growth is projected to gradually accelerate, rising from 4.4 % in 2014 to 4.8 % in 2015 and 5.4 % by 2017.

Mr. S. Ramadorai, Chairman, BSE and Rt. Hon. Dr. Vince Cable MP, Secretary of State for Business, Innovation and Skills and President of the Board of Trade, UK ringing the bell during the Seminar CORPORATE SOCIAL RESPONSIBILITY: EMPOWERING POOR WIDOWS IN INDIA on 15th November, 2014.

As per The Conference Board Global Economic Outlook 2015, US GDP is expected to grow at 2.9 %, Mexico GDP is expected to growth at 3.5 % and Brazil GDP is likely to grow at 0.5 %. The Euro Area GDP is likely to grow at 1.4 %. In Asia, Japan GDP is likely to grow at 0.6 %, Russian GDP is likely to contract by 3.5 %. The United States is expected to continue to register stronger growth than its peers, but the expansionary phase may show signs of maturing, causing a moderation in profitability and a variety of cost pressures. European economies have more scope to recover, and the recently announced Quantitative Easing program may help improve business and consumer confidence, and the weakened euro could help offset negative effects from slower exports to emerging markets. However, Europe's dysfunctional policy environment to accelerate growth through investment and reforms could make the recovery seem moderate compared to the United States. China is likely to continue its "soft fall" growth trajectory, as the already limited government stimuli will have a reduced effect despite recent monetary easing, and expose the weakening of China's creditworthiness more clearly. Other major emerging markets are likely to continue to grow, but their pace will vary depending on the net impact of declining oil prices and exchange rate depreciations, as well as progress of their own reform agendas. New geographies for growth, such as Africa and parts of Asia, offer opportunities to build sustainable growth models but they also bring challenges on economic, legal, and institutional fronts.

Shri Ashishkumar Chauhan, MD & CEO , BSE interacting with Shri Devendra Fadnavis, Hon'ble Chief Minister of Maharashtra at 'MONEYBEE INDIA ZOOMS SENSEX BOOMS' an Investor Education Initiative programme held on 18th January , 2015 at Nagpur.

Lower oil prices are likely to contribute to diverging prospects for oil-exporting and oil-importing countries, particularly in 2015. Risks to this slow-moving global recovery are significant and tilted to the downside. Financial market volatility, compounded by the risk of a sudden deterioration in liquidity conditions, could sharply raise developing countries' borrowing costs, an unwelcome development after several years of heavy capital market issuance in developing countries. Intensifying geopolitical tensions, bouts of volatility in commodity markets or financial stress in a major emerging market could lead to a reassessment of risk assets. If the Euro Area or Japan slips into a prolonged period of stagnation or deflation, global trade could weaken even further. Although it is a low-probability event given China's substantial policy buffers, a sharper decline in its growth could trigger a disorderly unwinding of financial vulnerabilities and would have considerable implications for the global economy.

(L to R) Shri Arnab Goswami, Editor In Chief, Times Now; Shri S. Ramadorai, Chairman, BSE and Shri Ashishkumar Chauhan, MD & CEO, BSE on the dais during the Talk by Arnab Goswami on 'How can the media contribute to the growth of Mumbai' on 17th July 2014.

The forces driving the global outlook and the associated risks pose significant policy challenges. In high income countries, the still-fragile recovery calls for continued accommodative monetary policy and a flexible approach to fiscal policy, which supports growth but is also accompanied by concrete medium-term consolidation plans and structural reforms. In developing countries, global financial tightening could reduce capital flows and trigger further currency depreciations. Though depreciation may strengthen exports and help current account adjustments, they could weaken balance sheets and dampen the disinflationary effects of soft commodity prices. Some developing countries' central banks may thus have to weigh monetary policy measures to support growth against those needed to stabilize inflation and currencies or bolster financial system stability. Fiscal stimulus can also be considered in the event of a sharp cyclical downturn. In practice, however, the use of fiscal policy as a countercyclical policy tool may be constrained by a lack of fiscal space that limits the ability to use fiscal stimulus and its effectiveness. Both high-income and developing countries need to undertake comprehensive structural reforms, including improvements in institutions and public infrastructure, in order to promote growth and job creation.

Shri Kalraj Mishra, Hon'ble Union Cabinet Minister for MSME presenting the award for Best SME exchange to Shri Ajay Thakur, Head, BSE SME on 11th July 2014.

1.2 Indian Outlook

Growth picked up in 2014, inflation markedly declined, and the external position was comfortable, helped by positive policies and lower global oil prices. The outlook for India is for economic strengthening through higher infrastructure spending, increased fiscal devolution to states and continued reform to financial and monetary policy. The government underscored its intention to move steadily to tackle politically difficult structural issues that have stalled investment and limited economic performance in recent years.

The Project Monitoring Group set up by the cabinet in mid-2013 to facilitate clearances for large infrastructure projects has cleared projects worth $105 billion, equal to 4.8% of GDP. This has helped to revive some stalled projects. According to the data from the Centre for Monitoring Indian Economy, announcements of new projects in the year ending in December 2014 reached their highest level since 2011.

The HSBC India manufacturing purchasing managers' index rose in December 2014 to its highest in over 2 years before slipping a bit in subsequent months. Despite some weakening in the most recent quarter ending December 2014, the central bank's business expectation index continues to be at its highest in the past 2 years, indicating improved sentiment on production and exports. After growing by 4.5% in FY2013-14, industrial growth accelerated to 5.9% in FY2014-15, helped by a 6.8% expansion in manufacturing. The production of capital goods expanded after 3 years in the red. However, consumer durables continued to decline. Improved coal production helped double the growth of electricity generation over the previous year's rate. A pickup in growth in the advanced economies would provide a boost to tradable services like finance, software design, and business services. The HSBC India services index revealed expansion for the ninth consecutive month in January 2015, helped by sustained growth in new business.

As per the RBI's estimates, GDP growth is expected to accelerate to 7.8% in FY2015-16 as compared to 7.5% in FY2014-15 on improved performance in both industry and services as policy addresses structural bottlenecks and external demand improves. Growth is expected to edge up further to 8.1% in FY2016-17, helped by a supportive monetary policy, as inflation continues to trend lower and by a pickup in capital expenditure.

Consumer inflation is expected to decline to 5% in FY2016-17 restrained by muted hikes in rural wages and minimum support prices and by the government's offloading of excess stocks. With control on gas and diesel prices lifted, domestic fuel inflation will be largely determined by global oil price movements. The Indian crude oil basket price is expected to be about $61.5 per barrel in the FY2015-16. With consumer inflation likely to remain within the central bank's target band, and with a move toward fiscal consolidation outlined in the budget, policy rates are likely to be cut a bit more in FY2015-16. However, aggressive interest rate cuts are unlikely with a new monetary policy framework focused more on inflation and an uptick in the growth rate closing the output gap. The framework should improve coordination between monetary and fiscal policy. The government set a fiscal deficit of 3.9% of GDP for FY2015-16 and 3.5% of GDP for FY2016-17 pushing back the medium-term fiscal deficit target of 3.0% by a year to FY2017-18. The adjustment allows additional spending that will fund larger infrastructure investment. At the same time, the limited decline in the revenue deficit from 2.9% in FY2014-15 to 2.8% in FY2015-16 continues to be a matter of concern. Tax revenue is projected to grow at 15.8%, helped by hikes in rates for customs duty and excise and service taxes. The expenditure mix is expected to improve signicantly, with capital expenditure growing by a robust 25.5%, well above 3.2% growth for current

Shri Ashishkumar Chauhan, MD & CEO, BSE presenting a memento to Shri Bal Krishna Man Singh, Board Director, Nepal Rastea Bank.

expenditure. Government investment in infrastructure for energy, transport, and industry is projected to rise by 25% and renew the investment cycle. The share of subsidies as a percentage of GDP is expected to fall from 2.1% in FY2014-15 to 1.7% in FY2015-16 largely aided by lower fuel subsidies allowed by lower global oil prices and from leakage plugged through cash transfers.

In FY2016-17, the current account deficit will expand to 1.5% compared to 1.3% in the FY2015-16 as recovering oil prices would raise oil imports costs. Rising industry and investment will raise demand for imports other than commodities, bringing overall import growth to 5%. Further growth recovery in the advanced economies would boost exports, and petroleum exports would benefit from higher oil prices. Overall, export growth is likely to inch up to 7%. Improved growth prospects and a stable currency is likely to continue to attract portfolio capital inflows. However, with more than 80% of the cap on foreign investment in the bond market already achieved, additional inflows to the bond market is likely to be limited. Investors' optimism about India's growth prospects is readily seen in the increase in portfolio investment, which helped to lift stock prices on the S&P BSE Sensex by about 29% in FY2014-15. Net foreign direct investment inflows are likely to increase on better growth prospects, liberalized ceilings in several sectors, and the government's focus on improving the ease of doing business and other enabling policies under the "Make in India" program. The proportion of the current account decit that is funded by stable foreign direct investment inflows is thus expected to increase, mitigating the vulnerability associated with volatile capital inows.

2. The Capital Markets

2.1 Overview

The S&P BSE SENSEX ended FY 2014-15 at 27957.49 as compared to FY 20014 at 22,386.27, an increase of 24.89% on a y-o-y basis.

Shri Ashishkumar Chauhan, MD & CEO, BSE addressing the gathering during the SCMHRD Annual Finance Conclave on 1st February , 2015.

Shri Ambarish Datta, MD & CEO, BSE Institute Ltd moderating the panel discussion during a Seminar on Careers in Financial Market on 7th January , 2015.

BSE is currently considered to be the largest Currency Options exchange in the world, 3rd largest Currency Futures exchange in the world, 5th largest Index Option exchange in the world, 9th largest exchange in the world by number of trades and 10th in the world by Market Capitalization (Source: WFE).

2.2 Primary Market

BSE is the largest exchange in number of listed Companies. During FY 2014-15, 6 companies came to the market through the IPO process in the Main Board. The amount raised through Main Board IPOs in FY 2014-15 was ₹ 1,374.62 crores as against ₹ 1,189.37 crores in FY 2013-14, an increase of 15.58%. Further, there were no Follow-on Public Offers ("FPO") in FY 2014-15 whereas there were 2 FPOs in FY 2013-14. In addition to the 6 IPOs on the Main Board, another 35 companies raised ₹ 2,33.31 crores through the SME IPO process in FY 2014-15. The total amount mobilized through Privately Placed Debt Securities at BSE in FY 2014-15 was ₹ 2,46,221 crores as against ₹ 1,35,341 crores in FY-13-14, an increase of nearly 82%.

Though Main Board primary market for equity issuances witnessed very less activity, there were many public issuances of debt securities. During FY 2014-15, there were 25 public issues of bonds mobilizing ₹ 10,716 crores as against ₹ 42,700 crores from public issues of bonds in the FY 2013-14. Further out of these 25 public issues, 19 issues were exclusively listed on BSE (76%). The BSE platform was used to collect ₹ 13,170 crores and the average bids garnered through BSE's iBBS platform for these debt public issuances was 95%.

The total number of companies listed on BSE as on 31st March, 2015 was 5624 as compared to 5336 on 31st March, 2014. BSE remains the largest exchange in the world in terms of number of listed companies.

Shri Amitabh Bachchan ringing the Opening Bell during the launch of the first look poster of the Television series "YUDH" on 17th June, 2014 in the presence of Shri Ashishkumar Chauhan, MD & CEO, BSE and Shri NP Singh, CEO, Multi Screen Media Pvt. Ltd. (Sony Entertainment).

During FY 2014-15 there were 24 Offer for Sale ("OFS") issues, of which BSE was appointed as the Designated Stock Exchange in 21 issues (88%). Out of the 21 OFS issues, 17 issues were conducted exclusively on the BSE platform. In FY 2014-15, the total amount raised through OFS issues was ₹ 26,862 crores.

2.3 Secondary Market

While equity turnover grew slowly but steadily in 2014-15, other areas of trading reflected significant improvement during the year. The average daily value of equity turnover on BSE in FY 2014-15 was ₹3,518 crore, an increase of about 69.3% y-o-y from ₹2,078 crore in FY 2013-14.

Equity derivatives trading, however, reached an average daily volume of 20,80,160 contracts per day in FY 2014-15– breaking through a significant threshold. It has attracted increased attention from international participants. This represented an 80.97% increase y-o-y from the average of 11,79,463 contracts per day traded in FY 2013-14, the first full year for BSE's re-launch of derivatives trading.

In the mutual fund space, the Mutual Fund industry pumped in highest investment in Debt and Equity leading to growth in the assets under management ("AUM") for 2014-15. AUM at the end of March 2015 stood at ₹11,88,690 crores, an increase of 31.33 % over the previous year (₹9,05,120 in FY 2013-14). Encouragingly, the BSE's Mutual Fund platform "BSE StAR MF" continued to gain acceptance with turnover reaching ₹ 10,462 Crores in FY 2014-15, an increase of 86.94% from FY 2013-14 turnover of ₹ 5,596 Crores.

With new features and continuous innovation to meet customer needs, the model of investment and redemption of mutual fund units through an exchange-provided infrastructure is gaining acceptance from the market.

2.4 Secondary Market Policy Developments

➢ **Securities and Exchange Board of India (SEBI)**

1. SARAL AOF

BSE has announced the launch of SARAL Account Opening Form (SARAL AOF) to facilitate an easy and simplified account opening process in securities market.

This new initiative is in line with SEBI's initiative (vide SEBI Circular CIR/MIRSD/1/2015 dated 04th March, 2015) for ease of individual investors entering Equity Cash market. SEBI has initiated SARAL Account Opening Form (SARAL AOF) in a circular dated 4th March, 2015, wherein an individual resident investor can open this account through SARAL Account Opening Form. This form can be filled by any resident individual investor who wishes to be a part of the equity market. The form has been made available on BSE website for easy access of investors.

This service will allow investors to participate in the Equity Cash segment with filling of the SARAL AOF and submitting one proof of address (correspondence or permanent). Investors whose current residence is different from the proof of address submitted, need only give a self-declaration on which all correspondence will be made by the intermediary with the investor.

The investors who open account through SARAL AOF will also have the option to obtain other facilities, such as internet trading, margin trading, derivatives trading and use of Power of Attorney, whenever they require, on furnishing of additional information as per prescribed regulations/circulars.

Mr. Ashishkumar Chauhan, MD & CEO, BSE flagging off the Walk for Widows from Mumbai to Bangalore by Mr. Chris Parsons on 9th January, 2015 at BSE.